

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Norfolk County Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: December 18, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and January 1 each year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

Although we are approving the schedule, we have concerns regarding the plan assumptions. The System maintained the 7.75% investment return assumption used in the 2018 valuation. We have generally recommended an assumption between 6.90% and 7.15% for our 2020 local system valuations. For comparison, there are 65 systems currently using an assumption of 7.25% or lower. There are 25 systems using an assumption of 7.30% - 7.50%. Your assumption is outside the high end of PERAC's reasonable range for this assumption as of January 1, 2020.

The System maintained the fully generational mortality assumption originally adopted in 2016. That assumption is based on an experience study performed by your actuary. The mortality assumption we use for other local systems is based on our analysis of local system retirees and reflects longer life expectancy than your assumption. Based on our analysis of retiree mortality for both the State Retirement System and the results of our local system valuations, we could not justify the mortality assumption used in your valuation. We note that page 3 of the valuation report shows an inactive mortality loss of \$50.6 million reflecting fewer deaths than assumed over the two-year period.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**	Unfunded Accrued Liability
2021	\$27,958,727	\$10,620,371	\$70,931,914	\$81,552,285	26.1	63.5	\$605,284,898
2022	\$29,472,503	\$10,827,982	\$76,411,340	\$87,239,322	26.7	66.1	\$569,176,315
2023	\$31,065,902	\$11,032,772	\$82,503,551	\$93,536,323	27.4	69.5	\$526,940,109
2024	\$32,743,026	\$11,234,067	\$89,048,972	\$100,283,039	28.1	73.1	\$477,967,839
2025	\$34,508,182	\$11,431,136	\$96,084,730	\$107,515,866	28.8	77.0	\$421,598,551
2026	\$36,365,898	\$11,623,193	\$103,646,619	\$115,269,812	29.6	81.0	\$357,114,494
2027	\$38,320,929	\$11,809,387	\$111,773,018	\$123,582,405	30.3	85.3	\$283,736,490
2028	\$40,378,272	\$11,988,801	\$120,505,073	\$132,493,874	31.1	89.9	\$200,618,947
2029	\$42,543,176	\$12,160,449	\$124,156,596	\$136,317,045	30.6	94.8	\$106,844,464
2030	\$44,821,155	\$12,323,268	\$2,060,901	\$14,384,169	3.1	99.8	\$3,830,240
2031	\$47,218,002	\$12,476,115	\$2,143,337	\$14,619,452	3.0	99.9	\$2,026,997
2032	\$49,739,803	\$12,617,764	\$0	\$12,617,764	2.5	100.0	(\$0)
2033	\$52,392,950	\$12,746,898	\$0	\$12,746,898	2.4	100.0	(\$0)
2034	\$55,184,156	\$12,862,102	\$0	\$12,862,102	2.3	100.0	(\$0)
2035	\$58,120,475	\$12,961,862	\$0	\$12,961,862	2.2	100.0	(\$0)
2036	\$61,209,316	\$13,044,555	\$0	\$13,044,555	2.2	100.0	(\$0)
2037	\$64,458,457	\$13,108,443	\$0	\$13,108,443	2.1	100.0	(\$0)
2038	\$67,876,073	\$13,151,665	\$0	\$13,151,665	2.0	100.0	(\$0)
2039	\$71,470,746	\$13,172,233	\$0	\$13,172,233	1.9	100.0	(\$0)
2040	\$75,251,490	\$13,168,020	\$0	\$13,168,020	1.8	100.0	(\$0)
2041	\$79,227,773	\$13,136,753	\$0	\$13,136,753	1.7	100.0	(\$0)
2042	\$82,793,023	\$13,727,907	\$0	\$13,727,907	1.7	100.0	(\$0)
2043	\$86,518,709	\$14,345,663	\$0	\$14,345,663	1.7	100.0	(\$0)
2044	\$90,412,051	\$14,991,218	\$0	\$14,991,218	1.7	100.0	(\$0)
2045	\$94,480,593	\$15,665,823	\$0	\$15,665,823	1.7	100.0	(\$0)
2046	\$98,732,220	\$16,370,785	\$0	\$16,370,785	1.7	100.0	(\$0)
2047	\$103,175,170	\$17,107,470	\$0	\$17,107,470	1.7	100.0	(\$0)
2048	\$107,818,053	\$17,877,306	\$0	\$17,877,306	1.7	100.0	(\$0)
2049	\$112,669,865	\$18,681,785	\$0	\$18,681,785	1.7	100.0	(\$0)
2050	\$117,740,009	\$19,522,465	\$0	\$19,522,465	1.7	100.0	(\$0)
2051	\$123,038,309	\$20,400,976	\$0	\$20,400,976	1.7	100.0	(\$0)
2052	\$128,575,033	\$21,319,020	\$0	\$21,319,020	1.7	100.0	(\$0)

** Beginning of Fiscal Year